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Bio, p. 4: see his picture on CDS website

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Pull quote:

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Leveraging Benefits for Producer and Consumer Co-ops

BY KEVIN EDBERG

New markets, increased income for farm families, more children going to school, a new generation of ranchers coming back to the farm: all coming in part from co-ops doing business with co-ops.

Many of us are familiar with work done by some individual co-op stores such as Lakewinds in Minnesota. As a result of a 2003 tour sponsored by National Cooperative Business Association (NCBA), this co-op has established direct relationships with Nicaraguan coffee producer cooperatives to purchase Fair Trade certified organic, shade-grown arabica. The result has been over a ton of coffee that has been exported to the U.S. under the Small Farmer label, with price premiums of \$3.25-\$4.45 per pound, and the creation of new market relationships. Impacts to individual producer members have included a 40% increase in average family income per year, allowing them to send their children to school, make house and water supply improvements, and have increased self-esteem and pride in their work.

Others might know domestic stories like that of Oregon Country Beef, a cooperative of ranchers that began selling natural beef to food co-ops and other retailers in the Pacific Northwest 20 years ago. As a result of success in establishing and maintaining those early accounts, the co-op was able to establish a beachhead in the market for natural meat. Today, over 60 ranches are members, and over 30 more are pursuing membership. All must be Food Alliance certified to verify their commitment to environmental stewardship and humane husbandry. The success of this producer co-op is leading to a renaissance of successful and certified sustainable ranching on over 2 million acres in the western U.S.

The Sixth Principle

These stories highlight the possibilities that can become realities if more and more producer and consumer co-ops were to recognize the power of the Sixth Principle: cooperation among cooperatives.

In addition to our work with food co-ops nationwide, Cooperative Development Services (CDS) also carries on work in other sectors of the cooperative economy, including value-added agriculture. Over the past decade, we have worked extensively with farmer-owned co-ops trying to enter new markets with value-added products, many of them in the natural and organic foods arena. We know first hand the business

development challenges that these farmers face in trying to compete for shelf space in conventional grocery or foodservice. At the same time, we see the growing competition that consumer-owned natural foods stores are facing from mainstream and big box retailers. We believe there are tangible market benefits that could accrue to both farmers and consumers through a deeper consideration and application of the Sixth Principle.

What's in it for food co-ops?

Simply put: authentic stories and tangible cooperative experiences = market distinction and customer loyalty.

Go into a Whole Foods, look above the cases around the perimeter of the store; what do you see? Pictures of producers whose products are found in the store. Whole Foods is prominently selling food with a human face, food with a story that is intended to make consumers feel good about their purchase decisions. Why? Because in other respects consumers today can find the same products and brands on the shelves of food co-ops, Whole Foods, Wal-mart, and mainstream retailers. The product mix itself is no longer our unique asset.

This means we have to work harder to differentiate the co-op shopping experience. While much of this needs to happen in areas outside product selection, we do have to work harder to differentiate our product mix and use it to tell authentic stories about local agriculture, sustainable and organic production, and the impact of our customers' buying decisions.

Featuring cooperatively-produced products is one strategy that reinforces who we are and what we value. Imagine the possibilities for using these products as object lessons in educating consumers about the diversity of cooperatives, and our common cooperative principles. Picture an October Co-op Month CAP promotion that features products from farmer co-ops, and imagine the opportunities such an event would provide for member education in newsletters, in-store signage, and workshops. The possibilities are substantial.

What might farmers gain?

One of the greatest challenges CDS faces when working with farmer-owned ventures is finding successful market entry strategies. Identifying supportive, modestly patient retail partners is nigh onto impossible for new companies. What producer-owned companies could really use is an intentional market partner.

The success rate for producer-owned ventures in the natural/organic sector would be greatly enhanced if we had a trusted process where companies could get retailer feedback in the final phases of product development and packaging design. Once the product is market ready, having a commitment from a cluster (or corridor?) of co-ops to test the product in their stores, provide feedback, and pull the product through distribution in those critical early weeks and months of product launch would be enormously valuable.

But there are a couple of caveats. This does not mean selling substandard products. Co-op consumers deserve value for their money, and products from farmer-owned co-ops need to provide value. Further, it also does not mean diminishing support for individual local farmers. By all means, we need to support the local producers who bring in those unique foods that have become favorites. But if [food](#) co-ops can't always

feature “local”, should we not then prefer and feature “co-op” as the next best alternative, regardless of whether that [farmer](#) co-op is local or distant?

What is the opportunity?

What I am suggesting is the development of a strategic, systemic process to leverage for their mutual benefit the purchasing power of consumer food co-ops and the production capacity of cooperatively organized organic/sustainable farmers in the US and abroad.

Clearly some tools and infrastructure to support such an initiative already exist. The CooperationWorks network of cooperative development centers has capacity to work with US-based organic and natural producer co-ops. CDS is currently coordinating a federal grant project to provide business development assistance to 15-20 such businesses; several CooperationWorks members are delivering that assistance. There are many additional possible farmer-owned participants as well.

CLUSA, the international cooperative development arm of NCBA, has a successful track record of forming producer-owned co-ops; they have capacity to work with farmers in a number of foreign countries. Jim Cawley, vice president of the international development division of NCBA, notes that in addition to work with coffee producers, there are other possible products that could be developed for market, including [dehydrated](#) organic tropical fruits, such as pineapple, mango, banana and papaya. Cawley notes, “We’ve appreciated the support we’ve received from the food co-op community for our early ventures. We’d welcome the opportunity to expand this work and take our joint efforts to the next level.”

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Besides non-profits like CLUSA, some socially responsible investor-owned companies are beginning to partner with foreign producer co-ops to bring new products to the US market. Jungle Products, a US company, is one example. They market wild-crafted red palm oil with significant co-op connections; their products are currently sold in about 30 food co-ops in the West and Midwest. The raw fruit of the native Dura palm is gathered by a 450member producer co-op, then processed in small batches using traditional methods by a 75-member women’s processing cooperative in Togo, West Africa. While fair trade standards do not currently exist for this product, the company seeks to apply fair trade principles when purchasing from the cooperative. Income from this work has enabled families to purchase school supplies for their children, and allowed the completion of a reforestation project in one community. Other products include organic palm oil purchased from producer groups in the Philippines, Solomon Islands, and Samoa.

The food co-op community has enough market power to make a difference. Store buying and merchandising policies can be used to offer consumers a choice in directing their purchases in ways that strengthen the cooperative economy. NCGA’s Cooperative Advantage Program and in-store merchandising have capacity that could be potentially brought to bear in this process. Similarly, the emerging efforts to optimize distribution through UNFI may have implications as well.

What’s next?

The exact path for organizing such a system is not clear. Carrying out such initial development efforts on a single-store basis is too taxing to be sustainable in the long-run;

gaining critical mass in the distribution and marketing process is hard to achieve this way. Similarly, a national initiative seems too large a scale for the kind of relationship and trust building that is required for initial efforts to be successful. It appears to me that an initiative sponsored either by one NCGA corridor, or a good-sized cluster of stores within a corridor (especially if they share distributor relationships) would make the best setting for such a project.

Ruffin Slater, general manager of Weaver Street Market in Carrboro NC is in a unique position. As a board member of both NCGA and NCBA, he has been able to listen to the needs and opportunities expressed by both food co-op colleagues as well as producer co-op leaders and developers. He says, "We've had some interesting examples of what might be accomplished. Now it's time we invest some thought and energy to putting together a system that will help us effectively link the interests of consumer and farmer-owned co-ops."

Are there co-ops (or better yet, a cluster of co-ops) willing to invest that time and energy? If there are, it would seem one possible next step might be to convene a conversation at a future CCMA or NCGA gathering to put this in motion. Interested parties are welcome to contact me.

CDS stands ready to bring our experiences on both sides of this equation to that conversation. Anybody interested?